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ROCHESTER INSTITUTE OF TECHNOLOGY  
AMERICAN UNIVERSITY OF KOSOVO



# *Improved Strategies for Anti-Money Laundering in Kosovo*

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# What is money laundering?



# Definition of money laundering

“Money Laundering has been described as the process by which the proceeds of crime are put through a series of transactions which disguise their illicit origins, and make them appear to have come from a legitimate source”

**UN Vienna Convention 1988**

“Money laundering is any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct”

**Serious Organised Crime Agency, UK**

# Global Scale of Money Laundering

Estimated laundered fund in the world could range between two and five per cent of the world's gross domestic product.

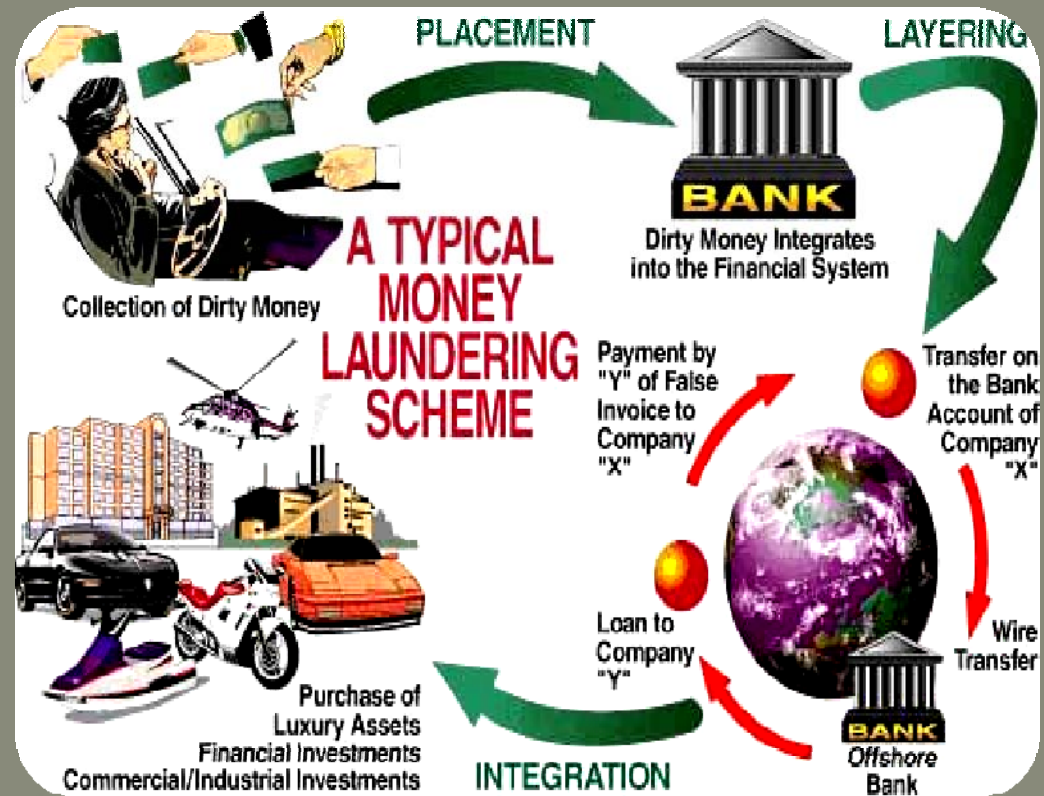
Approximate between US \$ 800 billion and U.S. \$ 2 trillion.

*International Monetary Fund*



# Money Laundering Process

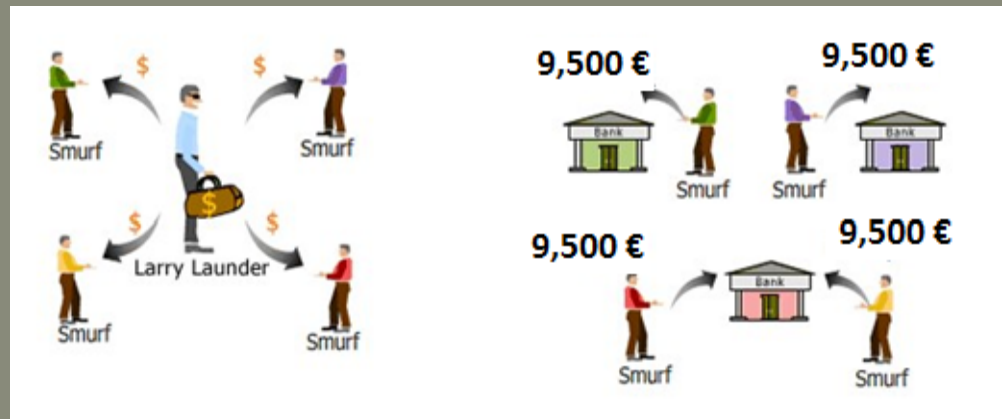
- Placement
- Layering
- Integration





# Money Laundering Methods

- Structuring deposits – **SMURFING**
- Bank transactions
- Cash smuggling
- Real estate
- The catering industry
- Investing in legitimate businesses
- Casinos
- Insurance market
- Acquisition of luxury goods, gold and diamond



# Money Laundering Effects

- Increases crime & increase in terrorism
- Revenues of the public sector
- Unfair competition & artificial increase in prices
- Threatens privatization
- Distorting economic statistics
- Reputation of the financial sector





# Anti Money Laundering Organizations and Initiatives

- Financial Action Task Force
- International Monetary Fund
- World Bank
- Egmont Group
- FIU.NET
- European Union & European Council
- United Nations Office on Drugs and Crime



# Money Laundering in Kosovo

- Cash-based economy
- UNMIK Regulation no. 2004/2 on deterrence of money laundering and related criminal offences
- Financial Intelligence Centre
- Commission of the European Communities' progress reports

# Financial Intelligence Centre

Receive and analyze suspicious activity reports and cash transaction reports from:

- Financial institutions
- Lawyers & Auditors
- Business companies
- NGOs
- Political parties
- Movement of monetary into and out of Kosovo

## European Commission progress reports for Kosovo

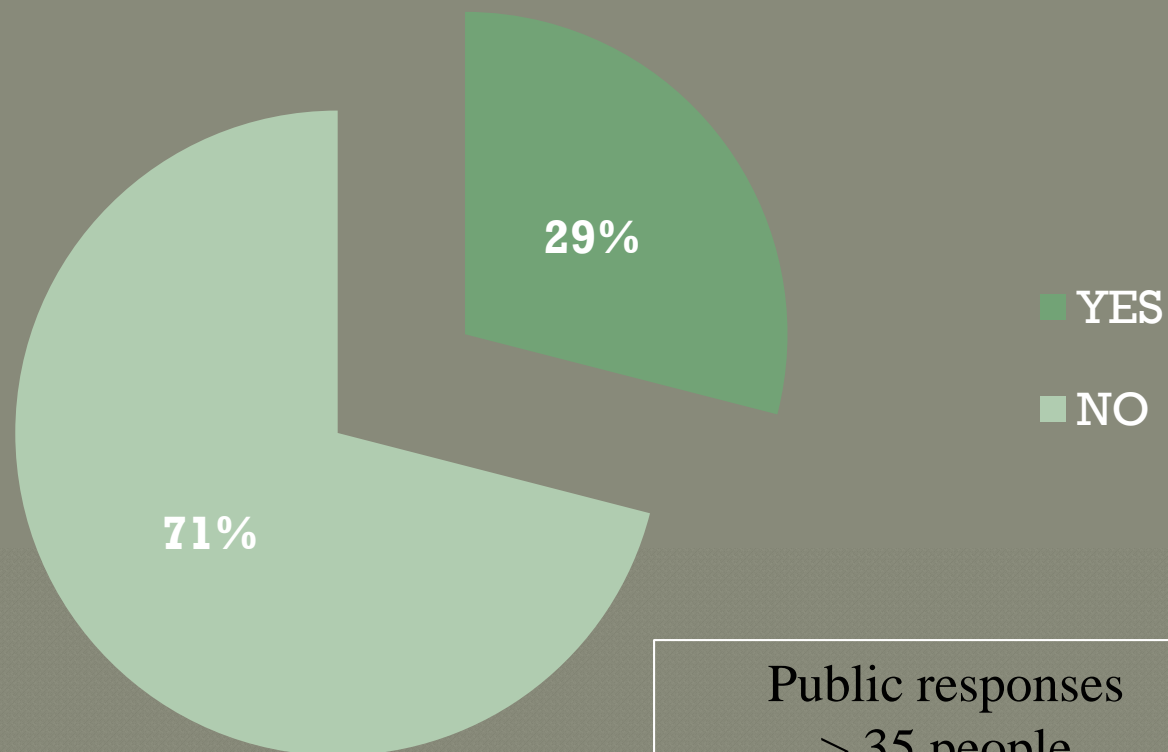
- **Report 2005:** profits made by Kosovar organized crime groups are invested and laundered in Kosovo through legitimate businesses that often belong to the heads of the biggest drug trafficking groups
- **Report 2007:** lack of specialized prosecutors to deal with money laundering and economic crimes.
- **Report 2008:** no progress took place concerning legislation on money laundering
- **Report 2009:** money laundering remains an issue of serious concern. Kosovo lacks adequate legislative provisions and operational structures to cope with this phenomenon.

# Money Laundering issues in Kosovo

- No Anti – Money Laundering Law
- Few number of suspicious report to FIC
- Lack of Public awareness
- The Kosovo Special Prosecution Office still lacks specialized prosecutors in money laundering
- The remittance systems is not under controlled

# Public responses on money laundering

**Do you have any idea of the risk from  
Money Laundering?**





# International issues

- Kosovo's Financial Intelligence Centre it is not part of Egmont Group - Financial Intelligence Units
- The cooperation with International law enforcement is weak
- Compliance with FATF 40+9 recommendations is partly fulfilled
- The 3<sup>rd</sup> EU Money Laundering Directive it is still not part of the Kosovo's legislation
- FIC has sign a few Memorandum of Understanding with international authorities

# UNMIK Regulation no. 2004/2 - gaps

- Insurance companies
- Casinos
- Real estate Agents
- Politically Exposed Persons



# Money laundering & Insurance companies

- Paying a large “top-up” into an existing life insurance policy
- Purchasing a general insurance policy, then making a claim soon after
- Making over-payment on a policy, then asking for a refund
- Making a large investment, then asking for a refund after

# Politically Exposes Persons

- Individuals who have or have had positions of public trust such as government officials, senior executives of government corporations, politicians, political party officials and/or their family members
- PEPs are a special category of customers
- Relationships with PEPs may represent increased risks due to the possibility that individuals holding such positions may misuse their power and influence other for personal gain and advantage

# Recommendation for AML legislation

## Anti Money Laundering law

- FATF 40+9 Recommendations
- 3<sup>rd</sup> EU Directive on Money laundering
- Vienna Convention and Palermo Convention

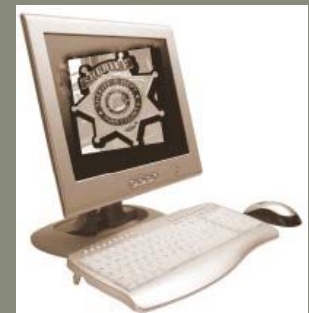
## Add list to the Reporting Entities:

- Life Insurance companies, brokers and agents
- Casinos
- Real estate brokers or sales representatives
- Politically Exposed Persons list



# Recommendation for Anti Money Laundering Online Reporting System

- Completely secure & guarantees data protection
- Available 24 hours a day, seven days a week
- Supported by help texts on every page
- Handle large volume of information and reports
- Enable the exchange, feedback of intelligence information with law enforcement





# Serious Organized Crime Agency's Online Reporting System (UK)

**SAR Explorer**

- SAR 205648: 233
- Main: matrix
- New SAR
- SAR List

step 1 HEADER	step 2 MAIN SUBJECT	step 3 ASSOCIATED SUBJECT	<b>[ step 4 ]</b> TRANSACTION	step 5 REASON / SUBMIT
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**What are the details of the Transaction?**

Date:  -  -

Amount:  Currency: \*

Credit/Debit: \*  Type: \*

Notes: (max 1000 characters)

**What are the details of this subject's Account?**

Account Holder:

Account Number:

Institution Name:

Sort Code:

Date Opened:  -  -

Account Balance:

Turnover Credit:

Turnover period:

Date Closed:  -  -

Balance Date:  -  -

Turnover Debit:

Debit Turnover within turnover period

Clear

**What are the details of the 3rd Party Account?**

The online reporting system has proved to be a considerable improvement over the previous mechanisms and has ensured the timely and effective delivery of information to Serious Organized Crime Agency.

**Tony Stewart-Jones, Chief Compliance Officer and MLRO**

## Recommendation for training

- Financial Intelligence Centre
- Kosovo's Special Prosecution Office
- Kosovo Police
- Institutions covered by anti-money laundering law



# Recommendation for AML guidelines

- Financial institutions
- Lawyers
- Auditors
- Casinos
- Insurance companies
- Public people



# Recommendation for Public Awareness Campaign on money laundering

- Money laundering risks
- Anti-money laundering law
- Reporting requirements
- Money laundering indicators



# Recommendation for Anti Money Laundering governmental committee

- Develop the national action plan
- Advise authorities in relation to the detection and prevention of money laundering
- Identify and recommend measures that are needed to remove barriers restraining exchange of information between authorities



# Recommendation for Anti Money Laundering governmental committee

- Minister of the Ministry of Economy and Finance
- Minister of the Ministry of Justice
- Minister of the Ministry of Internal Affairs
- Governor of the Central Bank
- Director of the Kosovo Intelligence Agency
- Head of the Financial Intelligence Centre
- Director of the Customs
- Director of public prosecutions and
- Director of the Police





# Questions?

